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surplus over and above his aggregate expenses." This might be true in certain special circumstances, but the typical case is one in which the successful employer can get maximum gain by apportioning his factors of production so as to make a profit on the marginal units of all of them. The best proportion of factors, financially, is that in which the marginal products of the different factors are *in proportion* to their unit costs, granted the customary assumptions of mobility and divisibility. Only by taking account of a fall in prices due to the expansion of the output of the single establishment, or of a loss in efficiency due to expanding the establishment past the limits of the manager's best organizing power, or of price discriminations, could a case be made in which a profit remains after the employment of every factor has been pushed to the point at which marginal return equals marginal outlay.

If one were to undertake the pleasant task of citing passages in which the treatment is so good as to invite special comment the list would be a long one, and this review would be unduly extended. If the review appears to be devoted chiefly to expressions of dissent, it is not for lack of appreciation of the good qualities of this excellent book but rather for the sake of raising certain general questions as to what an economics text should try to be.

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Financing of Public Service Corporations. By MILTON B. IGNATIUS. New York: Ronald Press, 1918. Pp. xviii+508.

This book is the initial undertaking of the author. Its "mission is to point the way" to a common ground between bankers and corporation officials, who demand practical considerations, and the members of public-service commissions, who represent the public and deal with the fundamental principles of control, often considered theoretical. Instead of antagonism and wilful opposition between these two classes or points of view, there is essentially a community of interest. "Corporation finance has ceased to be a private affair," and there must be wise and judicious action over its supervision and regulation. Especially is this true with reference to the railroads under government control and operation. Even there we find a growing tendency to regulate industrial corporations. This suggests briefly the reasons given by the author for the appearance of this volume.

We are told in the Preface that this book is the result of experience in dealing with the financing of public-service corporations through

employment with the New York State Public Service Commissions and also through private employment. This perhaps explains the presence of so much quoted material. As one reads through the work one wonders at times if it is a book on corporation finance, or merely a book of readings or excerpts on corporation finance adapted from New York statutes, and especially from rulings or orders of the Public Service Commission for the Second District of New York. While there is a superabundance of quotations, with an occasional reference to states other than New York, it may be said out of fairness that the main outlines of the problems of corporation finance are not buried in a labyrinth of citations but are kept pretty clearly before the mind of the reader.

The arrangement of the subject-matter in the volume is clear, logical, and attractive. Occasionally there is too much detail. There are four main divisions or parts. The title of each respectively is: Part I, "Corporations and Public Regulations"; Part II, "Capital Stocks"; Part III, "Funded Debt"; and Part IV, "Capitalization." It might be well to give a résumé, with comments, of each of these sections. Perhaps that is the best way in which to get some conception of the merits or demerits of the book as a contribution to the solution of the finance problems of public-service corporations.

Part I is very brief and introductory. It contains two chapters and is a discussion of corporations and public regulation in general. There is nothing new or extraordinary presented. The only points worth noting are (1) the arguments in favor of federal incorporation of all public-service concerns engaged in interstate business, and (2) the observation that if public-service corporations are public agents or partners with the state in the conduct of public business the public has never been quite willing to accept its share of the partnership, either by securing public-utility investments or guaranteeing a fair return upon them.

In Part II capital stocks are discussed. It is much longer than the preceding section, being made up of five chapters. It should be of interest, especially to small investors, who usually have no part in corporate management, because it contains information relative to the issue and transfer of stocks, par values of stocks, and dividends, which is exceedingly valuable to them, in order to safeguard and preserve their investments and their returns thereon. The chief things worthy of attention other than this are the suggestions concerning the capital-stock account in corporate accounting, the methods to avoid double taxation on stocks, and the query as to whether the removal of par values of stocks would eradicate the evils of overcapitalization.

In Part III there is an excellent treatment of funded debts. The weaknesses of the section are found where the author by an unwarranted digression drags into his discussion of the classification of bonds a discussion of bond taxation, and where he seems wilfully to dodge an explanation of the net interest yield on bonds simply because the explanation is difficult and complex. As an offset to such defects, however, there is a timely treatment of the relative proportion of stocks and bonds in the capitalization of corporate enterprises and an interesting statement of the problem of refunding or paying off bonds at maturity in terms of purchasing power rather than in gold or legal tender.

The genuine contribution, if such it may be called, which Mr. Ignatius makes to the subject of public-service corporation finance is found in Part IV. This section on capitalization contains seven rather lengthy chapters and takes up about half of the whole book. The writer thinks that the control over capitalization by state commissions has been a success and advocates such control direct by the federal government over interstate corporations. "If federal control, however, is to be a success, it must be exclusive and not concurrent with the several states." The federal as well as the state commissions must co-operate, as well as regulate, and must use wise discretion rather than a hard-and-fast rule. What the author has to say about the effect of capitalization on rates is not quite clear. He gives much space to valuation and valuation problems in connection with capitalization. Where the issue of securities has been authorized by a commission, should there be a guaranty of a fair return upon them? He asks, but does not attempt to answer, this question. This whole section is by far the most important in the book and is a noteworthy effort to aid in the correct solution of the intricate capitalization problems of public-service corporations.

On the whole this volume is a valuable addition to the literature on corporation finance. While it deals primarily with public-service corporations, it is also valuable with reference to industrial corporations. It certainly throws much light on the whole field of corporate financing. Well may it be of great interest to corporation officials, representatives of the public engaged in regulation, bankers, brokers, and general readers. It might also be profitably used as a supplementary textbook in courses on corporation finance. Whatever its defects with regard to the use of copious excerpts from only one state commission, it is eminently worth while.

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